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Senior Loan Officer Survey

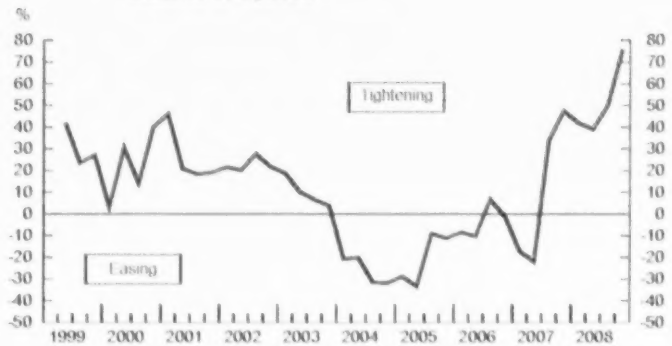
on Business-Lending Practices in Canada

Results of the Fourth-Quarter 2008 Survey — Vol. 1.2 12 January 2009

This Senior Loan Officer Survey focused on changes to business-lending practices in the fourth quarter of 2008.

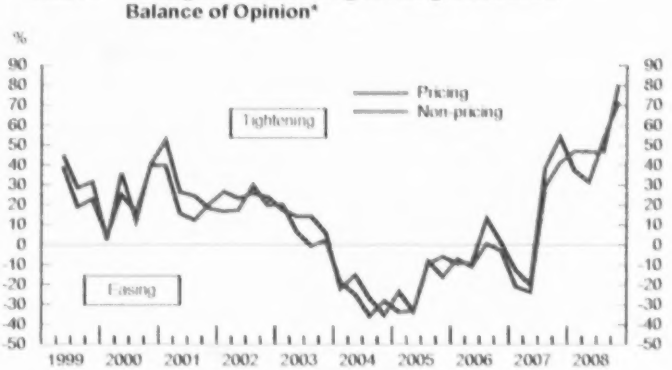
- Survey respondents reported a further widespread tightening in lending conditions.
- Respondents attributed the tightening of lending conditions mainly to concerns about the general economic outlook, although a worsening of industry-specific factors was also cited as a contributing cause.
- For the second consecutive quarter, the balance of opinion on tightening was the highest recorded since the survey began in 1999. Note that this measure indicates only the direction of the change in conditions and the amount of agreement among participants; it does not provide any information on the magnitude of the change.
- The tightening applied to both pricing and non-pricing aspects of business-lending conditions. The pricing responses reflect the efforts of financial institutions to pass on to borrowers the increase in their own borrowing costs relative to risk-free rates. The non-pricing responses indicate a tightening in the terms and standards for loans and/or limits on the funds allocated to some sectors.

Chart 1 Overall Business-Lending Conditions: Balance of Opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balances of opinion for the pricing and non-pricing dimensions of lending conditions.

Chart 2 Pricing and Non-Pricing Lending Conditions: Balance of Opinion*



Note: Each series is the simple average of the balances of opinion for the small business, commercial, and corporate sectors.

* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

The Senior Loan Officer Survey collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The fourth-quarter survey was conducted between 15 December and 19 December 2008. Additional information on the survey is available on the Bank of Canada's website at http://www.bankofcanada.ca/en/slos/index.html.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

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